

PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University December 1985

Signs Of A Manufacturing Rebound?

Although the number of jobs in Pennsylvania establishments rose for the sixth straight month in October, the economy remained in neutral, continuing to give mixed signals. The number of nonagricultural jobs rose by a seasonally adjusted 12 thousand to 4.75 million, the highest level since August 1981. A similar increase took place in the nation. There were 4.68 million establishment jobs last year.

For the first time since January 1985, the number of jobs in Pennsylvania manufacturing establishments rose. At a seasonally adjusted 1.07 million, there were 400 more jobs in the sector compared to September. The increase, the result of a less than normal decline in the unadjusted series, still left manufacturing job levels 4.2 percent below a year ago. All of October's gain was attributable to an increase in the number of durable goods jobs. Job levels in nondurable goods industries fell. Nationally, the number of manufacturing jobs rose an adjusted 0.2 percent from September but fell 1 percent from a year ago.

The number of jobs in Pennsylvania nonmanufacturing establishments rose to a record-high 3.68 million on a seasonally adjusted basis in October. This represents an increase of 12 thousand or 0.3 percent from September. A similar advance took place in the number of jobs in the nation's nonmanufacturing sector. Among the leaders were the retail trade and services industries. Relative to a year ago, job levels were up 110 thousand or 3.1 percent. Except for a slight decline in April 1985, the number of nonmanufacturing jobs in Pennsylvania has risen continuously since September 1983.

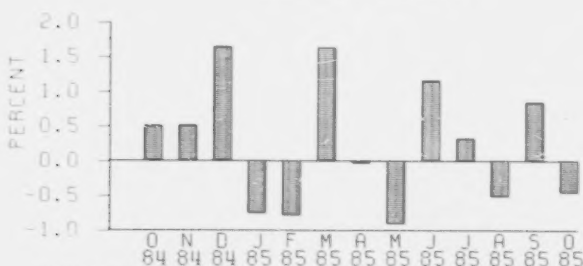
Pennsylvania resident employment fell to 5.14 million

on a seasonally adjusted basis from September's record-high 5.16 million. On the surface, this appears to contradict October's rise in establishment jobs; however, a brief look at definitional differences should clear up any confusion. Resident employment figures are obtained through a survey of Pennsylvania residents as part of the nation's *Current Population Survey*. In addition to those residents employed in establishments, the survey also counts some domestic workers, the self-employed, unpaid family workers and agricultural workers. Establishment data are obtained through a survey of the Commonwealth's employers as part of the nationally coordinated *Current Employment Statistics Survey*. This survey picks up out-of-state workers and counts multiple job-holders more than once. Clearly, there are several reasons why employment growth trends may differ considerably between the resident and establishment series. Furthermore, there are sampling errors associated with these surveys. It is possible that resident and establishment employment actually moved in the same direction in October but the surveys failed to pick this up.

The number of Pennsylvanians counted as unemployed rose by a seasonally adjusted 3 thousand to 435 thousand. This helped push the unemployment rate up an adjusted 0.2 percentage point to 7.7 percent. The nation's unemployment rate stood at 7.1 percent. Significant improvement was registered on the unemployment front over the course of a year in Pennsylvania. In October 1984, 8.8 percent of the Pennsylvania labor force was out of work and 490 thousand were counted as unemployed.

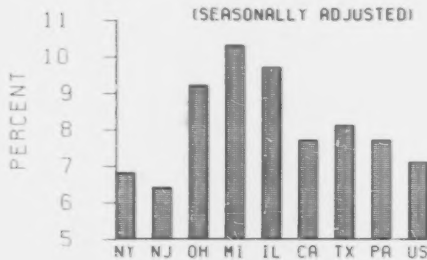
PENNSYLVANIA RESIDENT EMPLOYMENT GROWTH RATES

(SEASONALLY ADJUSTED)

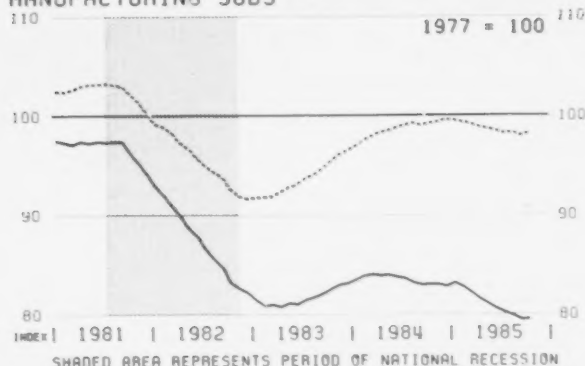


OCTOBER 1985 UNEMPLOYMENT RATES FOR SELECTED STATES

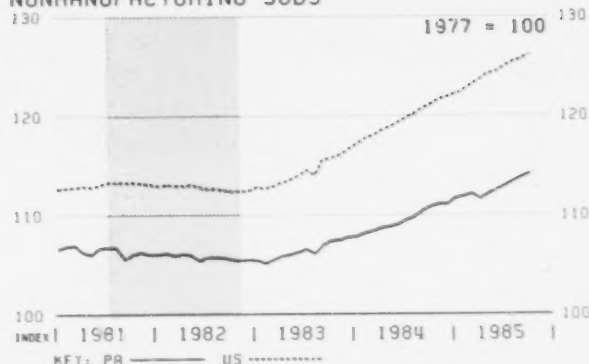
(SEASONALLY ADJUSTED)



MANUFACTURING JOBS



NONMANUFACTURING JOBS



In addition to the increase in the number of jobs in the sector, there were several other indications of a rebound in manufacturing activity in October. The average factory workweek stood at a seasonally adjusted 39.9 hours per week. This is up from 39.7 hours in September but down from October 1984's 40 hours. Total hours worked and factory payrolls also rose after

seasonal adjustment. Sales of electricity to industrial customers, a short-run indicator of industrial output, rose an adjusted 2.4 percent from the previous month but were slightly below year-ago levels. Steel output in Pennsylvania rose for the second time in three months. October's seasonally adjusted 4.4 percent jump on an average daily basis still left output below a year ago.

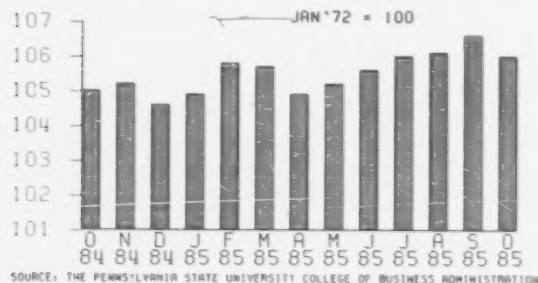
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1985		1984	1985		1984	1985		1984
	Sept	Oct	Oct	Sept	Oct	Oct	Sept	Oct	Oct
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.) ¹	4,768*	4,800	4,730	4,734*	4,747	4,683	103.7*	104.0	102.6
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,682*	3,718	3,607	3,668*	3,680	3,570	113.8*	114.2	110.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,078*	1,073	1,119	1,066*	1,067	1,113	79.5*	79.5	82.9
Ave. wkly. hrs. worked by prod. workers	39.9*	39.9	40.0	39.7*	39.9	40.0	100.6*	101.1	101.2
Total wkly. person-hours worked (mils.)	29.3*	29.2	30.9	29.0*	29.1	30.8	75.6*	75.8	80.2
Total wkly. payroll (mil. dols.)	280.8*	279.7	288.0	277.7*	279.9	288.2	123.6*	124.6	128.3
Steel production (thous. tons)	898*	961	994	n.a.	n.a.	n.a.	45.5*	47.4	49.1
Industrial electric power sales (mil. kwh)	3,563	3,567	3,609	3,489	3,574	3,595	94.5	96.8	97.4
Mining									
Anthracite coal (thous. net tons)	281	371	367	263	323	320	53.9	66.1	65.6
Bituminous coal (thous. net tons)	4,944	n.a.	6,951†	4,566	n.a.	6,661†	64.7	n.a.	94.4†
Construction contracts awarded (mil. dols.)									
Total	640.0	658.3	664.4*	609.2	655.2	684.4*	189.4	203.7	212.7*
Residential building	305.4	315.5	246.2*	277.8	280.5	222.9*	197.4	199.3	158.4*
Nonresidential building	178.8	243.8	321.8*	152.8	218.1	282.9*	140.8	201.1	260.8*
Nonbuilding (utilities and public works)	155.9	99.1	96.5*	178.6	156.6	150.5*	246.4	216.1	207.7*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,202	5,237	5,103	5,162	5,139	5,005	107.4	106.9	104.2
Unemployed									
No. of persons (thous.)	395	400	456	432	435	490	107.8	108.6	122.3
Rate (percentage of labor force)	7.1	7.1	8.2	7.5	7.7	8.8			
Rate, seasonally adjusted									
Civilian labor force, no. of persons (thous.)	5,597	5,637	5,559	5,594	5,574	5,495	107.4	107.1	105.6
Initial claims for unemployment benefits	94,471	119,603	131,518	114,724	121,743	129,637	80.1	85.0	90.6
Consumer Prices, all items									
Urban Indexes (1967 = 100)			Percentage Change						
1985		1984	Month		Year				
Sept	Oct	Oct	Ago		Ago				
U.S. city average	324.5	325.5	315.3	+0.3	+3.2				
Philadelphia	316.5	317.4	303.7	+0.3	+4.5				
Pittsburgh	n.a.	328.4	321.1	n.a.	+2.3				
Northeast PA	306.8	n.a.	298.2†	n.a.	+2.9				

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1984 benchmarks.

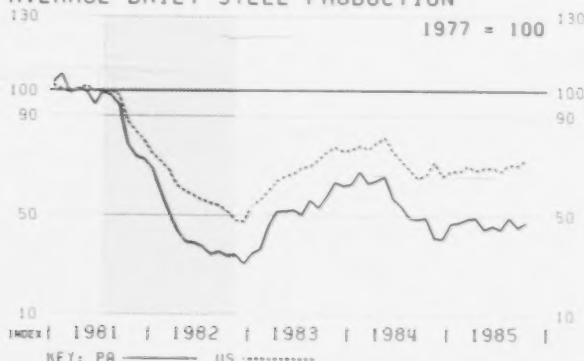
¹ Total includes workers on strike. * = figure revised † = figure for September 1984 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS



AVERAGE DAILY STEEL PRODUCTION



Nationally, steel output rose an adjusted 3.6 percent. Pennsylvania's gains were strong enough to raise its share of total domestic production 0.1 percentage point to 13.1 percent.

Employment in Pennsylvania's coal mines rose a seasonally adjusted 600 to 35.7 thousand in October. Anthracite coal output increased a surprising 22.7 percent after seasonal adjustment.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	Coincident	Leading	Coincident
February 1985	105.8	88.0	0.9	-0.3
March	105.7	88.2	-0.1	0.2
April	104.9	87.6	-0.8	-0.7
May	105.2	87.2	0.3	-0.5
June	105.6	87.7	0.4	0.6
July	106.0	87.3	0.4	-0.5
August	106.1	87.3	0.1	0.0
September	106.4	87.0	0.3	-0.3
October	106.0	86.8	-0.4	-0.2

The news was also encouraging on the construction front. Employment in the industry rose by 4.3 thousand to a seasonally adjusted 200.7 thousand. The value of contracts awarded rose to an adjusted \$655.2 million from \$609.2 million in September. There was a slight increase in the value of residential awards to go along with a strong surge in nonresidential contract values. Nonbuilding awards declined in value.

Recent increases in prices have been moderate. Nationally, consumer prices rose just 3.2 percent over the October 1984-October 1985 period. Many believe that the Fed can now loosen its hold on credit availability in an effort to spur the economy without much fear of reigniting inflation.

Despite the improved situation in manufacturing, the Pennsylvania index of coincident indicators fell 0.2 point. Two of the three components of the index, resident employment and real earnings by manufacturing workers, fell. The third component, the number of manufacturing jobs, rose. The index of leading indicators fell for the first time in six months. All of the 0.4 point decline was the result of an increase in initial claims for unemployment insurance. The average workweek and residential construction contract values rose.

— William D. Anderson

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THE MID-ATLANTIC IN TRANSITION: EMPLOYMENT CHANGES FROM 1974 TO 1984

(This article, a summary of a study completed by the author entitled "The Mid-Atlantic in Transition: Employment Trends, 1974-1984," is the first of two articles dealing with employment change in the Mid-Atlantic region.)

Change is occurring in the economy of the Mid-Atlantic region. There have been significant shifts in the amount, industry-mix and location of business activity in New York, New Jersey and Pennsylvania, the three States of the region. The shifts are due to a variety of forces, including stiff competition from other regions and from abroad.

The rapid changes in the region's economy suggest a need for a look at recent trends. A review of what has been happening in the major economic sectors of the region offers insights into the strengths and weaknesses of the region and clues to the shape of the future. Employment trends during the 1974-1984 decade are especially informative for they cover important structural shifts occurring between the late 1970's and mid-1980's.

Employment and Unemployment Trends

Looking first at trends in nonagricultural employment, it is noteworthy that employment expanded at a rapid rate in the nation during the late 1970's but slowed in the 1980's (Table 1). Employment in the Mid-Atlantic region grew at much slower rates. However, the difference between U.S. and Mid-Atlantic growth did narrow over the decade. Pennsylvania had a fair rate of expansion in the late 1970's but experienced a decline in employment from 1979 to 1984.

Unemployment rates mirrored employment trends in the region. Pennsylvania had the lowest rate in the region in 1974 but the highest by 1984 (Table 2). Similarly, Pennsylvania's unemployment rate exceeded that for the nation by 1979 after having a lower rate in 1974.

Changes in Major Sectors

The Mid-Atlantic region experienced wide variations in rates of employment change across major economic sectors over the 1974-1984 period. Sector changes also varied among States.

In looking at employment change by sector, it is useful to group them by national performance. Such a grouping for the 1974-1984 period shows services; retail trade; wholesale trade; and finance, insurance and real estate (FIRE) as the major growth industries (Table 3). Conversely, construction and manufacturing were sources of slow employment growth in the late 1970's before declining in the early 1980's.

As might be expected, the fast-growth sectors created

Table 1. Percent change in total nonagricultural employment, September 1974-1984

	Sept. 1974-1979	Sept. 1979-1984
United States	14.6	5.8
Mid-Atlantic Region	5.0	3.8
New York	2.2	5.2
New Jersey	8.5	11.1
Pennsylvania	7.1	-2.9

Source: Establishment data series from "Employment and Earnings" of U.S. Department of Labor and individual State Departments of Labor are used in all Tables, except Table 2, where resident data is used.

the bulk of new jobs in all three States of the region in the 1970's and 1980's. Manufacturing was the source of huge job losses. In Pennsylvania, the fast-growth sectors created 230 thousand jobs from 1979 to 1984 while 300 thousand were lost in manufacturing and construction. Mining employment also declined in the region and Pennsylvania in the 1980's after a healthy rate of increase in the late 1970's.

There were two highly significant aspects of employment change by sector in the region over the decade:

- 1.) The region's performance versus the nation's; and
- 2.) Shifts in the region's performance, especially among States within the region, between the 1970's and 1980's.

At the national level, all sectors grew less rapidly in the 1980's than in the 1970's. In the Mid-Atlantic region, the pattern was mixed. In the 1970's, all sectors turned in a poorer performance in the region than in the nation (Table 4). However, in the 1980's, rates of growth in the national fast-growth sectors picked up in the region and even exceeded the nation in FIRE and wholesale trade. This surge, however, was confined to New York and New Jersey. Rates of growth in fast-growing sectors fell off sharply in Pennsylvania. The bottom-line implication, which will be pinpointed to the New York to Philadelphia axis in a future article, is that part of the region capitalized more on national sector trends than others in the 1980's.

The same interstate pattern occurred in construction and manufacturing. Construction shifted from a declining sector in the region in the 1970's to some employment

Table 2. Percent unemployed in September.

	1974	1979	1984
United States	5.7	5.7	7.1
Mid-Atlantic Region	5.9	7.0	7.1
New York	6.5	7.5	6.7
New Jersey	6.4	6.2	5.8
Pennsylvania	4.8	6.7	8.7

Table 3. Jobs (in thousands) gained or lost by major economic sectors, September 1974-1984.

National performance of sectors	Mid-Atlantic 74-84	Pennsylvania 74-79 79-84	
Fast-growth 70's & 80's			
Services	1165.0	186.2	160.2
Finance, insurance & real estate	223.0	28.1	21.6
Retail trade	365.3	90.5	39.3
Wholesale trade	142.8	28.0	10.4
Sub-total	1896.1	332.8	231.5
Fast-growth 70's; slow-growth 80's			
Mining	- 4.9	7.8	- 11.0
Slow-growth 70's & 80's			
Government	105.0	31.9	- 33.1
Transportation & public utilities	- 18.7	8.6	- 24.8
Sub-total	86.3	40.5	- 57.9
Slow-growth 70's; decline 80's			
Construction	- 2.8	8.9	- 28.2
Manufacturing	- 688.0	- 68.5	- 274.6
Sub-total	- 690.8	- 59.6	- 302.8
Total nonagricultural	1286.7	321.5	- 140.2

growth in the 1980's. However, this improvement did not extend to Pennsylvania, which had a significant decline in the 1980's. Manufacturing employment declined in the region in the 1970's and 1980's, with a much sharper decline in the 1980's. The rate of decline increased from 4.7 percent to 19.6 percent in Pennsylvania, indicating a real structural problem for the State.

Variations in rates of change among sectors in the nation and the region led to shifts in the distribution of employment. Nationally and regionally, sectors such as trade and services became relatively more important, and manufacturing, government and construction less so. By 1984, over half of the nation's and region's employment was in fast-growth sectors (Table 5). The region's proportion exceeded the nation's, presumably placing it in an encouraging growth position for at least the near future.

Pennsylvania had just a slightly higher proportion of its employment in growth sectors in 1984 than the nation. Conversely, Pennsylvania, even after a substantial decline in manufacturing employment in the 1980's, still had 23.9 percent of its employment in manufacturing versus 20.6 percent for the nation. On the

plus side, the State did exceed the nation in its employment in services, the fastest growing sector over the decade. It also had a smaller proportion than either the nation or the region in government and transportation and public utilities, which have been slow-growing nationally.

Change by Industry in Manufacturing

Manufacturing, with its accelerating rate of employment decline from the 1970's to the 1980's, is a problem for the Mid-Atlantic region and especially Pennsylvania. The sector is still the second largest employer in the region behind services. It, therefore, merits a closer look.

Again, it is instructive to group the 20 major industries of the sector by their national performance over the decade to note points of growth and decline. Looking first at the nation, it is significant that in the late 1970's, 13 of the 20 industries had some increase in employment (Table 6). By the early 1980's, the gainers were reduced to four: instruments, electric and electronic equipment, printing and publishing, and rubber and plastic products. The Mid-Atlantic region in the 1970's had only seven industries experience employment gains. This fell to two, printing and publishing and furniture, in the early 1980's.

Looking first at the four national growth industries in the 1970's and 1980's, it would appear that the region has not been as competitive as the rest of the nation. In the late 1970's, employment growth in each industry was lower in the region than in the nation. In the 1980's, three industries suffered declines in employment in the region while growing nationally. Printing and publishing was the only industry to expand in both periods in the region.

Pennsylvania did not do well in the national growth industries. Printing and publishing did expand employment modestly in both the 1970's and 1980's, albeit at a lower rate than in the nation. Employment in rubber and plastics and instruments expanded in the 1970's but contracted in the 1980's. Electric and electronic equipment lost jobs over the entire period in the State.

Among the industries that declined nationally in both

Table 4. Percent change in employment in major economic sectors, September 1974-1984.

National performance of sectors	United States		Mid-Atlantic		Pennsylvania	
	74-79	79-84	74-79	79-84	74-79	79-84
Fast-growth 70's & 80's						
Services	27.6	21.9	18.7	20.5	24.0	16.6
Finance, insurance & real estate	20.5	14.1	8.2	14.7	13.6	9.2
Retail trade	18.6	12.2	7.6	9.0	13.6	5.2
Wholesale trade	17.4	7.4	8.2	8.4	13.1	4.3
Fast-growth 70's; slow-growth 80's						
Mining	36.3	1.6	10.4	- 17.5	17.9	- 21.4
Slow-growth 70's & 80's						
Government	11.9	0.6	4.7	- 0.2	4.8	- 4.8
Transportation & public utilities	9.8	0.9	0.0	- 2.1	3.2	- 9.0
Slow-growth 70's; decline 80's						
Construction	14.0	- 2.3	- 5.2	5.0	4.1	- 12.7
Manufacturing	4.2	- 7.2	- 4.6	- 13.7	- 4.7	- 19.6
Total nonagricultural	14.6	5.8	5.0	3.8	7.1	- 2.9

Table 5. Percent distribution of total employment by major economic sectors, September 1984.

National performance of sectors	United States	Mid-Atlantic	Pennsylvania
Fast-growth 70's & 80's			
Services	22.1	24.6	23.9
Finance, insurance & real estate	6.0	7.3	5.5
Retail trade	17.6	15.8	16.9
Wholesale trade	5.9	6.2	5.4
Sub-total	51.6	53.9	51.7
Fast-growth 70's; slow-growth 80's			
Mining	0.9	0.3	0.9
Slow-growth 70's & 80's			
Government	16.5	15.7	14.1
Transportation & public utilities	5.5	5.7	5.3
Sub-total	22.0	21.4	19.4
Slow-growth 70's; decline 80's			
Construction	4.9	3.9	4.1
Manufacturing	20.6	20.5	23.9
Sub-total	25.5	24.4	28.0
Total nonagricultural	100.0	100.0	100.0

the 1970's and 1980's, the region and Pennsylvania typically fared worse than the nation. In the 1980's, primary metals employment fell 31.9 percent in the nation and 40.7 percent in the region. Pennsylvania contributed heavily to the region's decline with a 43.8 percent loss. Likewise, apparel employment fell 7.8 percent in the nation and 14.1 percent in the region in the 1980's. Employment in Pennsylvania's apparel industry fell 11.5 percent. The industry declined more rapidly in Pennsylvania during the 1970's than either the nation or region.

The detailed industry-by-industry picture in manufacturing is thus a nearly across-the-board poorer performance in the region and Pennsylvania relative to the nation in both the late 1970's and the early 1980's. The overall performance of the region vis-a-vis the

nation did alter the industry-structure in the region compared to the nation. National declining industries became less important in the region and growth industries relatively more prominent. By 1984, 30 percent of the manufacturing employment in the region was in national fast-growth industries versus 26 percent in declining industries (Table 7). The comparative figures for the nation were a 26 percent share in fast-growth and 21 percent in declining industries. Pennsylvania, even after large declines in industries such as primary metals, had a manufacturing employment structure less weighted to growth industries and more toward declining industries than either the region or the nation. If current trends continue, it may be some time before the manufacturing decline bottoms out in the State.

Table 6. Percent change in employment in major manufacturing industries, September 1974-1979 and September 1979-1984.

National performance of industries	United States		Mid-Atlantic		Pennsylvania	
	74-79	79-84	74-79	79-84	74-79	79-84
Fast-growth 70's; growth 80's						
Instruments & related products	15.9	3.5	3.0	-3.8	17.8	-13.5
Printing & publishing	11.2	12.0	4.3	5.1	5.1	1.0
Rubber & miscellaneous plastic products	10.0	1.6	7.3	-5.6	1.9	-14.6
Electric & electronic equipment	8.3	5.3	6.0	-5.1	-12.1	-14.2
Fast-growth 70's; decline 80's						
Machinery, except electrical	13.1	-11.4	-0.8	-15.1	-2.3	-19.1
Lumber & wood products	9.9	-7.3	10.7	-6.4	8.6	-4.6
Petroleum & coal products	7.4	-10.9	-3.1	-22.2	0.0	-25.7
Transportation equipment	7.1	-6.6	5.1	-21.8	22.5	-27.6
Slow-growth 70's; decline 80's						
Fabricated metal products	4.0	-13.3	-3.9	-19.0	-5.2	-22.8
Chemicals & allied products	3.2	-5.3	0.7	-8.0	4.2	-6.8
Furniture & fixtures	0.9	-1.5	-11.7	1.8	-8.9	1.0
Food & kindred Products	0.7	-7.5	-6.7	-10.3	-3.6	-9.6
Stone, clay & glass products	0.3	-14.9	-8.3	-23.5	-5.8	-24.0
Decline 70's & 80's						
Paper & allied products	-0.2	-3.8	-1.9	-9.0	1.6	-9.4
Miscellaneous manufactures	-2.3	-13.6	-9.0	-20.1	-15.7	-20.2
Primary metal industries	-3.3	-31.9	-11.9	-40.7	-10.1	-43.8
Apparel	-5.3	-7.8	-11.0	-14.1	-12.3	-11.5
Textile mill products	-8.6	-15.2	-23.7	-22.6	-19.3	-25.5
Leather & leather products	-8.6	-22.6	-12.8	-27.0	-16.0	-23.8
Tobacco products	-9.8	-9.5	-27.5	-16.7	-46.2	-34.3
All manufacturing	4.2	-7.2	-4.6	-13.7	-4.7	-19.6

Table 7. Percent distribution of employment among major manufacturing industries, September 1984.

National performance of industries	Employment change in Pennsylvania 1974-1984 (thousands)	Percent distribution of employment, 1984		
		United States	Mid-Atlantic	Pennsylvania
Fast-growth 70's; growth 80's				
Instruments & related products	0.7	3.6	6.2	3.3
Printing & publishing	4.2	7.0	9.2	6.5
Rubber & miscellaneous plastic products	-5.4	4.0	3.4	3.2
Electric & electronic equipment	-35.9	11.4	11.4	9.8
Sub-total	-36.4	26.0	30.2	22.8
Fast-growth 70's; decline 80's				
Machinery, except electrical	-30.7	11.3	10.4	10.3
Lumber & wood products	0.8	3.7	1.3	2.0
Petroleum & coal products	-4.6	1.0	1.0	1.2
Transportation equipment	-8.1	9.8	4.6	5.7
Sub-total	-42.6	25.8	17.3	19.2
Slow-growth 70's; decline 80's				
Fabricated metal products	-33.6	7.6	6.8	8.2
Chemicals & allied products	-1.7	5.3	7.6	5.1
Furniture & fixtures	-1.8	2.5	1.7	1.8
Food & kindred products	-13.6	8.6	7.0	8.2
Stone, clay & glass products	-19.7	3.1	3.4	4.4
Sub-total	-70.4	27.1	26.5	27.7
Decline 70's & 80's				
Paper & allied products	-3.5	3.5	3.7	3.6
Miscellaneous manufactures	-10.0	2.0	3.0	1.8
Primary metal industries	-113.4	4.3	5.4	10.3
Apparel	-32.7	6.1	9.9	10.2
Textile & mill products	-22.9	3.8	2.6	3.1
Leather & leather products	-7.2	1.0	1.2	1.1
Tobacco products	-4.2	0.4	0.2	0.2
Sub-total	-193.9	21.1	26.0	30.3
All manufacturing	-343.3	100.0	100.0	100.0

Summary

During the past decade, the Mid-Atlantic region lagged the nation in the rate of growth in total employment. However, the nation's margin over the region narrowed from the late 1970's to the mid-1980's. A resurgence in the growth of national fast-growth sectors such as trade and services in the region offset substantial losses in manufacturing. New York and New Jersey benefitted most from the expansion of the fast-growth sectors. Pennsylvania, weighted down with large job losses in manufacturing, failed to match the growth rates realized in the region or the nation in fast-growth sectors during the 1980's. Total employment expanded at a modest rate in the State in the late 1970's but declined in the early 1980's.

By 1984, the vigorous growth of trade, services, etc., and the decline of manufacturing gave the region an employment structure more weighted to fast-growing sectors than the nation. This suggests optimism for expansion in the near future, especially in New York and New Jersey, the States most oriented to nationally fast-growing sectors.

Within manufacturing, the region, and especially

Pennsylvania, experienced poorer employment performances in most of the 20 major manufacturing industries than did the nation. Declining employment was the pattern for most industries in the late 1970's and more so in the 1980's. The region's performance lagged the nation in both growing and declining industries. The pervasiveness of decline among manufacturing industries in the region compared to the nation raises questions concerning the competitiveness of the region in manufacturing. A plus for the region by 1984 was that the structure of its manufacturing employment was more oriented to growing industries and less to declining industries than the nation. This, however, was not the case for Pennsylvania which was still heavily weighted to declining industries in manufacturing.

The challenge of the future for the region would appear to be how to keep abreast of, and linked more fully with, the fast-growth elements in the national economy. How to maintain competitiveness in national slow-growing and even declining sectors and industries should also be given attention.

—Theodore E. Fuller, *Development Economist*
The Pennsylvania State University

Retail Sales Report

Retail sales in Pennsylvania totaled \$16.3 billion during the third quarter of 1985. This represents a gain of 12.2 percent from the third quarter of 1984, nearly doubling the 6.6 percent jump which occurred over the year ending with the second quarter. Through the first nine months of 1985, retail sales totaled \$46.3 billion for a 7.3 percent gain from the year-ago period.

Nationally, retail sales surged as a result of a strong jump in automobile sales. However, purchases slowed when incentives designed to spur sales were lifted. Recent data also indicates that consumers have slowed their spending in an effort to improve their financial positions. We must await the release of the data to see if the same trends are occurring in Pennsylvania.

Pennsylvania retail sales (millions of dollars)

	Retail sales	Pct. change from yr. ago
1985: IIIQ	16,306	12.2
1985: IIQ	16,372	6.6
1985 YTD	46,323	7.3

September 1985 data is preliminary.

Source: U.S. Dept. of Commerce,
Bureau of the Census

Personal Income Report

Pennsylvania personal income totaled a seasonally adjusted \$153.2 billion on an annual rate basis in the second quarter of 1985. This represents a gain of 0.6 percent from the first quarter and 5 percent from a year ago. Personal income in the nation stood at \$3.2 trillion for a quarterly increase of 1 percent and an annual gain of 6.7 percent.

All of second quarter's gain in Pennsylvania was attributable to a 1.2 percent rise in net labor and proprietors income. Income derived from interest, dividends, and rent; and transfer payments, the two remaining components of personal income, fell. Wage and salary disbursements rose 1.1 percent to a seasonally adjusted \$88.3 billion.

The sluggishness in the agricultural and manufacturing sectors is apparent in the income data. Pennsylvania farm income fell 6.7 percent over the quarter and 5.8 percent from a year ago. Manufacturing income fell 0.1 percent during the quarter and grew a minimal 0.7 percent over the year. Income trends in the durable goods industries were especially discouraging.

Pennsylvania personal income (seas. adj. ann. rates; million of dollars)

	Personal income	Pct. change Qt. ago	Yr. ago
1985: IIQ	153,159	0.6	5.0
1985: IQ	152,180	1.6	7.0
1984: IIQ	145,876	2.6	8.3

Source: U.S. Dept. of Commerce,
Bur. of Econ. Analysis

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